

Message Text

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SUBJ: CORPORACION AZUCARERA LA VICTORIA - ALANJE SUGAR

MILL-CHIRUQUI PROVINCE

REFS: (A) STATE 118863

(B) PANAMA 2892

(C) PANAMA 3027

1. THIS MESSAGE RESPONDS IN MORE SPECIFIC TERMS TO EXIM-BANK REQUEST IN REF A FOR COMMENTS ON GOP EFFORTS TO ORGANIZE SUGARCANE GROWERS AND PROVIDE THEM FINANCING TO ENSURE SUPPLY OF SURGARCANE TO SUBJECT NEW SUGAR MILL. REFS B AND C PROVIDED GENERAL ASSESSMENT OF AVILABLE RESOURCES, KNOW-HOW AND PROBABILITY OF SUCCESS OF PROJECT AND EXPRESSED EMBASSY'S SUPPORT FOR EARLY AND FAVORABLE CONSIDERATION OF LOAN APPLICATION.

2. OUTLINED BELOW ARE STEPS TAKEN RECENTLY BY CORPORACION AZUCARERA LA VICTORIA (CAV), BANCO DE DESARROLLOS AGROPECUARIO (BDA), PRIVATE BANKS AND GROWERS, THEMSELVES, TO ARRANGE ADEQUATE FINANCING FOR AGRICULTURAL INPUTS REQUIRED TO PRODUCE SUGARCANE, TO ORGANIZE TO CANE GROWERS COOPERATIVE AND TO SECURE ACREAGE COMMITMENTS FOR CANE. PRIORITY IS NOW BEING ACCORDED THESE AND OTHER STEPS TO ASSURE

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TIMELY AND RELIABLE SUPPLY OF SUGARCANE. NEED FOR

PRIORITY ACTION WAS RECOGNIZED WHEN GOP STEPPED UP TIMETABLE FOR ALANJE MILL. DECISION WAS MADE AT TIME OF EVALUATION OF BIDS ON NEW PACORA MILL LAST NOVEMBER IN VIEW OF PROSPECT FOR SUGAR PRICES ABOVE HISTORIC AVERAGES AND AVAILABILITY OF ATTRACTIVE PROPOSALS FROM BOTH C. ITOH-KAWASAKI AND WALLACE INDUSTRIAL CONSTRUCTORS. GOP SAW OPPORTUNITY TO GET JUMP ON PROBABLE EXPANSION OF CAPACITY ELSEWHERE AND TO REALIZE COST SAVINGS FROM EARLIER CONTRACTING FOR SECOND NEW MILL (ALANJE). PRIORITY ACTION ON CANE PROWING OPERATIONS AND OTHER ON MEASURES IN SUPPORT OF PROJECT ARE EXPECTED TO CLOSE THE APPARENT LAG IN THESE ACTIONS CREATED BY STEP-UP OF TIMETABLE.

3. BDA AND SEVERAL PRIVATE COMMERCIAL BANKS HAVING BRANCHES IN DAVID (IN CHIRIQUI PROVINCE, WHERE THEY ARE ACTIVE IN FUNDING AGRICULTURE) HAVE EXPRESSED TO CAV THEIR WILLINGNESS TO PROVIDE CREDITS TO CANE GROWERS. FNCB, CHASE MANHATTAN, BANK OF AMERICA AND BANCO FIDUCIARIO ARE AMONG LATTER GIVING ASSURANCES OF SUPPORT TO THE PROJECT. BDA LETTER TO CAV REFERS TO ITS SUPPORT OF CANE GROWERS IN PAST AND PLANS FOR UTILIZING FOR THIS PURPOSE A PART OF \$8 MILLION LOAN FROM INTER-AMERICAN DEVELOPMENT BANK. CHASE POINTS OUT THAT IT HAS EXPERIENCE IN LENDING TO CANE GROWERS IN CENTRAL PROVINCES.

4. ORGANIZATION OF SUGARCANE GROERS COOPERATIVE (COOPERATIVE CANERA DE CHIRIQUI, R.L.) HAS BEEN UNDER WAY IN SERIES OF MEETINGS IN DAVID OVER PAST FEW MONTHS. PROPOSAL FOR EQUITY PARTICIPATION OF SUCH A CO-OP DISCUSSED IN 1974 AT HIGH LEVELS IN GOP, BUT ITS ROLE DEFINED ONLY EARLY 1975 WHEN CONCRETE STEPS TAKEN TO IMPLEMENT PROJECT. AT MAY 19 MEETING OF FOUR COMMISSIONERS OF CHIRIQUI MILL WITH NUCLEUS OF COVER 30 OWNERS OF LAND IN ALANJE VICINITY, AGREEMENT REACHED ON KEY ASPECTS FORMATION AND FUNCTION OF CO-OP AND ON PROCEEDING WITH LEGAL STEPS FOR ITS ESTABLISHMENT. REPRESENTATIVES OF BANK SECTOR ALSO PRESENT AT MEETINGS. PROSPECTIVE MEMBERS AGREED TO COMMIT OVER 3,500 LIMITED OFFICIAL USE

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HECTARES TO SUGARCANE. A COMMISSION WAS DESIGNATED TO PREPARE DOCUMENTATION ON FORMATION OF CO-OP. LAND-OWNERS ALSO AGREED ESTABLISH FUND TO WHICH EACH WOULD CONTRIBUTE \$5 (PER TON) FROM SALES OF CANE TO MILL. ANTICIPATED \$4-6 MILLION FIRST YEAR PROCEEDS TO BE USED TO COVER TEN PERCENT OF MILL'S INITIAL COST.

5. PREPEARATIONS ARE BEING MADE FOR JULY PLANTING OF

1,500 HECTARES OF SEED CANE WHICH WOULD THEN BE
UTILIZED IN PLANTING OF FIRST MAIN CROP OF 6,000 HECTARES IN
ALANJE AREA. PROVISION FOR INDEPENDENT SMALL
GROWERS ALSO BEING MADE. AS POINTED OUT REF C,
SUGARCANE IS NOT UNFAMILIAR CROP IN AREA. CARTA VIEJA
RUM PLANT THERE HAS OVER 30 YEARS EXPERIENCE THIS CROP
AND PROSPECTIVE GROWERS ENTHUSIASTIC OVER PROSPECT OF
RELATIVELY HIGH RETURNS ON SALE REQUIRED FOR NEW MILL.
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